

Week of 28 April to May 3rd

INDUSTRY : Lifting obstacles to mergers

There is no lack of criticism levelled at multinational companies, whose number and indeed power is constantly on the increase. However, it cannot be denied that when a business has problems, and its very survival is at stake, often the only way of saving it is to sell out to a foreign firm.

A European Commission proposal calling for the elimination of a number of tax obstacles to mergers and transnational cooperation between companies operating in different EEC countries will be studied by the Nine's Finance Ministers when they meet in Brussels on May 19.

As this proposal has met with opposition from certain EEC countries, the European Commission has added a safeguard clause to its proposals which should assuage Member States' fears on the question.

This clause will allow an EEC country which notices a high number of one-sided mergers which work to its detriment to suspend the application of the new provisions for a period.

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The toy industry is flourishing as never before. As toys become more sophisticated every year they pose ever increasing safety problems. With this in mind the European Commission has just launched a series of proposals aimed at stricter safety controls for toys.

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TRADE : Promoting exports to Japan.

Like the United States of America and the European Community, Japan is an international trading "giant". This phenomenon is due not only to the quality and competitiveness of its exports, but also to the dynamism shown by its businessmen. For instance, there are many more Japanese businessmen in the European Community than there are representatives of EEC businesses in Japan.

Trade relations between the European Community and Japan suffer from one major problem : the fact that Japanese exports tend to concentrate on a limited number of "sensitive" products, often produced by EEC industries which are crisis-ridden.

Japanese exports of steel products, shipbuilding material and textiles are falling, it is true, but exports of cars and electronic products are on the way up.

European exports, on the other hand, find it difficult to penetrate the Japanese markets, despite the fact that there are a relatively limited number of export quotas (those remaining are essentially in the leather and farm produce sectors) and that technical barriers to trade have been eliminated.

The Community's trade deficit with Japan has deteriorated over the last five years, rocketing from 2.5 billion dollars in 1974 to 6.4 billion dollars in 1978. The deficit had reached 4.8 billion dollars during the first nine months of 1979.

The situation gives cause for worry to the European Commission, which holds bi-annual consultations with the Japanese government, accompanied by a number of expert-level meetings on specific sectoral problems and macroeconomic questions.

The Commission has also launched a programme aimed at helping European businessmen gain a better understanding of the Japanese market and the trade promotion measures which could increase European exports of food products and machines to Japan.

These initial efforts are rather limited, but should work to improve European exports to Japan, thereby helping to balance out trade flows between the two partners.

EXTERNAL RELATIONS : New pact with Brazil marks beginning of new links with Latin America.

The European Community has taken more notice of Latin America over the last six months than it has for several years. Once very much a neglected continent as far as the EEC's links with Third World countries were concerned, the Community today is working on improving its links with Latin America's industrial giant, Brazil, and five countries which are members of the Andean Pact.

Latin America, for its part, has also woken up to the importance of reducing its traditional dependence on the United States and forging a new working relationship with the European Community.

Relations between the two regions are therefore very much at a "turning point". Although Latin America is still in the "developing" category, its gross national product per head in 1977 was substantially higher than most of the developing countries in Africa. Several Latin American countries are also well on the way to becoming major industrial powers, with growing domestic markets and a high export potential. It is for these reasons that the continent is often called "middle class" rather than "poor".

Brazil is undoubtedly the major industrial power on the continent. It is also the largest country in Latin America, with a population of 120 million, and considerable clout within the group of developing countries who are currently working on establishing a new international economic order, which would give them more of a say in the restructuring of the world economy.

Brazil has also strong commercial ties with the European Community, which is its principal supplier. 30 % of Brazil's imports come from the E.C. and only 18 % from the United States. In 1978, Brazilian exports to the Nine were worth 3.5 billion dollars, making it the Community's sixteenth largest supplier, and the fourth most important non-European trading partner after the United States, Japan and Canada.

European countries are also the leading investors in Brazil's growing industries. These investments totalled 13.7 billion dollars in 1978, representing 32 % of all foreign investments.

All these reasons and more, including the fact that Brazil is a major supplier of raw materials such as coffee, cocoa and iron ore, prompted the Community to improve its existing links with Brazil.

After about three months of negotiations, both sides agreed to initial a new agreement recently which, in keeping with the Community's

"new generation" of agreements (such as those signed with the member countries of the Association of South East Asian Nations - ASEAN), allows for cooperation between the two partners in such areas as investment, trade, industrialisation and science and technology.

The agreement will be signed shortly, once it has been approved by the both sides' competent authorities.

SOCIAL AFFAIRS : Working less and enjoying it more

Working less seems like a great idea to most people.

Millions of workers, trade unions, government authorities and even industrialists favour the idea to some extent.

But the fact is that the possibility of shortening working time as a means of increasing jobs in this period of record unemployment in Europe has become a highly controversial subject. Trade unions have made the idea part of a major campaign throughout Europe and authorities have been studying how to do this and what impact it would have, while business and industry have largely opposed it because of the additional costs it would mean.

One problem is that facts about the effect that cutting working hours would have on creating jobs are a rarity. So both sides to the argument have little in the way of hard evidence to prove their case or disprove the other's.

The nine Governments and the European Commission have been looking closely at the possibility of trying various "work-sharing" measures to reduce work for some workers and thereby create jobs for others. This is absolutely crucial in the European Community, where last year the working age population grew by 1.2 percent and employment grew by only 0.9 percent, the highest rise since 1973.

The European Commission has been considering whether to propose a cut in the regulation work week, in overtime, the hours of shift work or the age of retirement and to increase the number of part-time jobs. But the experts at the Commission in Brussels found they needed more information about the consequences of such measures. They recently compiled a report on the available information. They concluded only that the results were really very difficult to estimate because they could be affected by a number of other important economic conditions. Since they found the information was too fragmentary, they recommended that more up-to-date studies be conducted.

The Commission's work did indicate that in many European countries there had been a trend towards reducing the time worked anyway as a

partial substitute for normal pay increases. These tendencies have also been generally associated with periods of increased productivity. But it's still not enough on which to base a decision, so the different sides to the argument will probably continue to debate it for some time to come.

LEGISLATION : What's in a name

Increasing equality between men and women in different walks of life is indeed a welcome feature of modern day living. This equality extends to surnames in West Germany. Couples marrying in the Federal Republic can choose to take either the husband's or the wife's surname. If Mr Smith marries Miss Brown, they can, if they like, choose to be called Mr and Mrs Brown.

Being able to choose one's surname will be a very welcome "freedom" for those who have been handed down rather unfortunate surnames by their inconsiderate parents. This could, however, lead to administrative difficulties when the couple which has lawfully adopted the wife's surname decides to move to another EEC country where the legislation is different on this question. This is only one aspect of the problems stemming from the differing national legislations on family questions.

The problem, however, does not fall within the Commission competence, although it does represent an obstacle to the free movement of persons, which is enshrined in the Treaty of Rome. Eager to solve any problems, EEC countries are members of the International Commission on Civil Status, which is the most appropriate body to take initiatives in this field. One can only hope that the desired harmonisation of legislation on surnames will be based on the best of the existing systems, leading to more individual freedom in several EEC countries.

THIS WEEK : The week's agenda

EUROPEAN COUNCIL : Despite what all participants agreed was considerable progress in narrowing differences over the controversy of Britain's contribution to the EEC budget, the summit meeting of April 27 and 28 in Luxembourg did not succeed in solving the difficult problem. Agreement was reached, however, in a number of other areas, such as energy, sanctions against Iran and others.

COUNCIL OF MINISTERS : Agriculture Ministers of the Community continued to work without reaching agreement at a special meeting April 27 and 28 in Luxembourg at the same time as the summit on the troublesome question of the level of price increases for farm products in the Community during this year.

COURT OF JUSTICE : In an important decision affecting governmental control of multinational companies, the European Court in Luxembourg on April 24 ruled that the French Government could not use EEC customs rules to lower the prices a Swiss firm charged its French subsidiary in order to transfer profits or funds from France without paying taxes on them.

PARLIAMENT : The Political Affairs Committee of the European Parliament has just agreed in principle to send a Parliamentary delegation to Argentina to examine the fate of thousands of persons missing there and for another mission to study the plight of Cambodian refugees first-hand and determine whether EEC food aid is reaching them.

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WHEN SAFETY IS THE NAME OF THE GAME
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The European toy market is flourishing. Children as well as their parents, have benefited from Europe's new, higher standards of living, and changes in the family and educational environment to become avid consumers of toys. The toy boom dates back about 25 years.

The different types of toys available on European markets increased from 5000 in 1955 to more than 60,000 in 1979. This phenomenon was accompanied by changes in manufacturing techniques. Once more or less a cottage industry, the toy trade today has benefited from technological changes to become a fully-fledged industry. Small manufacturers have grouped together, and the profits are on the way up. The sky is the limit.

The market is also changing in terms of the quality of products on sale; together with traditional toys, whose quality has also improved, more sophisticated toys are now on sale. These include miniaturised and radar-operated toys. Electronic toys were the major breakthrough of the year 1977. During that year alone, 240,000 "video" games were sold in France. Sales doubled the following year.

However, such electronic toys today are facing strong competition from what are being called "ecology" toys. Toy stores and mail-order firms are doing good business both with robots, electronic cars, and video games, and wooden soldiers, rag dolls, and solar battery-operated boats. Energy-saving begins in childhood ...

But there is some cause for concern. Fathers buying "chemical sets" for their fledglings, must often ask themselves to what dangers they may be exposing their children. Electric trains can run amok, bicycles can have faulty brakes ... quite a few "toys" can be quite dangerous if certain basic rules are not respected by the manufacturers.

Of course, one could argue that even the most innocent object could become dangerous if handled by a child ... but toys are handled by children. And then it is better to be safe than sorry, and try to reduce such risks to the minimum.

It is with this in mind that the European Commission has just submitted a list of proposals to the EEC Council of Ministers aimed at defining a list

of strict rules to be followed by toy manufacturers and are harmonising existing legislation on the subject in the different EEC countries.

Such harmonisation of existing rules, by eliminating technical barriers to trade, should allow for a further opening of Community markets. National legislations on toy safety tended to be stricter in the importing countries than in the exporting countries such as West Germany, Italy, the United Kingdom and France. The European Commission's proposals define a series of general objectives as regards the physical, chemical, mechanical and electronic properties of toys, their flammability, explosion risks, hygiene and even their radioactivity.

Specific standards are also laid down for the physical and mechanical properties of toys and their flammability. These two standards are set out in detail and are accompanied by prescribed testing methods. These are designed to ensure that all foreseeable risks in the areas concerned are covered.

A third set of rules covers warnings and indications on the instructions for use which must accompany toys and are designed to help buyers in making their choice. Other more specific standards will be defined later.

Member States will be responsible for monitoring compliance with these criteria through appropriate checks. Given the very wide range and variety of toys on the markets, these checks will not always be possible before the toys are marketed. But there will be a system allowing manufacturers to have official tests carried out by recognised laboratories which would give them a certificate of conformity. Consumer associations, for their part, would have the right to indicate if they feel a toy were dangerous, and call for a test.

The Commission proposal indicates that any toy which is found to be dangerous would be withdrawn from the market. Moreover, only toys which conform to general or specific safety standards will be advertised.

These new measures, while very much in the interests of European consumers, could cause problems for toy exporters in the Far East whose exports to the Community have grown considerably since 1977.

These toys, which are cheaper in comparison with European toys, often are unable to satisfy safety standards. European toy manufacturers might just find that competition from such exporting countries might be on the way down.